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The adoption of this particular form was open to two objections : (1) it was a cumbrous and indirect method, for the sums appropriated annually could be more conveniently applied at once in the extinction of portions of the debt by purchase in the market; and (2) an accumulating fund of any dimension provided an enormous temptation to an impecunious or distressed Government to divert it to the satisfaction of any urgent financial difficulties in which they might be involved.

The stupidity of arrangements of this description becoming recognised in time, a sounder plan was pursued, and our existing Sinking Fund now consists mainly of three parts, namely (a) any actually • realised surplus upon each year's national account of income and expenditure. This is termed the Old Sinking Fund. When a surplus exists the amount is paid to the Commissioners of the National Debt, who (through their stockbroker) apply it in the immediate purchase and consequent cancellation of its equivalent Government stock.

The process may be briefly explained. In introducing the Budget<sup>x</sup> in any year the Chancellor of the Exchequer submits an *estimate* (based upon the financial experience of past years in each department of national income and charge) of the revenue and expenditure for the ensuing year. If the former be thus expected to exceed the latter—that is, if a surplus be anticipated—remissions of taxation may be allowed; while if the latter be calculated to prove the greater, fresh taxation may be requisite to supply the deficiency. But this surplus, if one be shown, is a mere estimate—the expected income and expenditure forms the basis for the provision by Parliament of the probable demands of the succeeding year. We are not concerned with it in connection with the Sinking Fund. But at the same time the Chancellor recalls the corresponding estimate which he submitted in his previous Budget of the income and expenditure for the year just *closed*, and compares that estimate with the revenue which has been *actually*

<sup>1</sup> Budget: a diminutive form of the French *louge*, a wallet

or pouch ; the bag in which the national money is supposed to be kept. In former days, the Chancellor of the Exchequer, when submittitlg his annual sbatement, was officially said " to *open* his budget."